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Iraq

Status Report

September 2, 2009



Bureau of Near Eastern Affairs
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HIGHLIGHTS



- **Senior ISCI Members Appointed the Son of Former Party Leader Abdul Aziz al-Hakim to Take Over the Party (*POLITICAL*, page 4).**
- **Iraq Still Lacks Strategy for Economic Diversification (*ECONOMIC*, page 12).**
- **Turkish FM Visits Iraq in an Attempt to Diffuse Growing Iraqi-Syrian Tensions (*DIPLOMATIC*, page 17).**
- **MNC-I Announces Phase Two of Responsible Withdrawal Plan (*SECURITY*, page 19).**



POLITICAL - Governance & Legislation

ISCI appoints new party leader after the death of Abdul Aziz al-Hakim

Hakim's Son Appointed for Leadership Post:

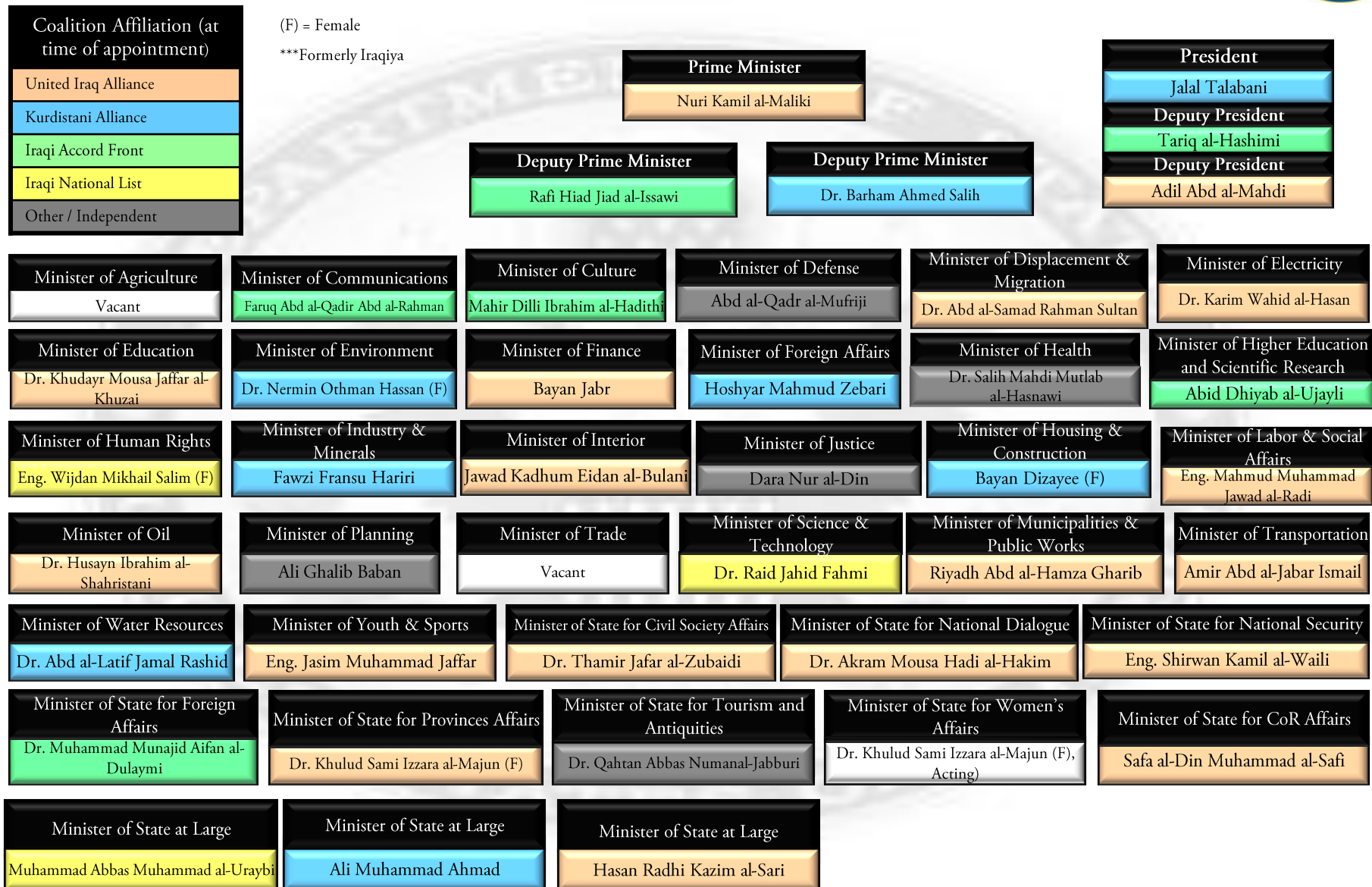
- Senior members of the Islamic Supreme Council of Iraq (ISCI) have appointed the son of former party leader Abdul Aziz al-Hakim to take over the party, following the death of his father. ISCI and other mainly Shi'a parties, with the notable exception of Prime Minister Maliki's Da'wa party, last week announced a coalition to compete in the national elections scheduled for January.

Amnesty International Issues Iraq Death Penalty Report:

- Amnesty International released a report September 1 criticizing the Iraqi government's use of the death penalty and a lack of transparency in the country's judicial process. According to the report, in July 2009 "at least 1,000 prisoners were believed to be on death row, including about 150 prisoners who had exhausted all means of appeal or clemency." The Iraqi government asserts that the death penalty is needed to reduce widespread violence in the country; however, Amnesty argues that continued unrest indicates that the death penalty is not an effective deterrent. "Armed groups have continued to carry out bomb attacks killing large numbers of civilians, including members of ethnic and religious minority groups," the report stated.



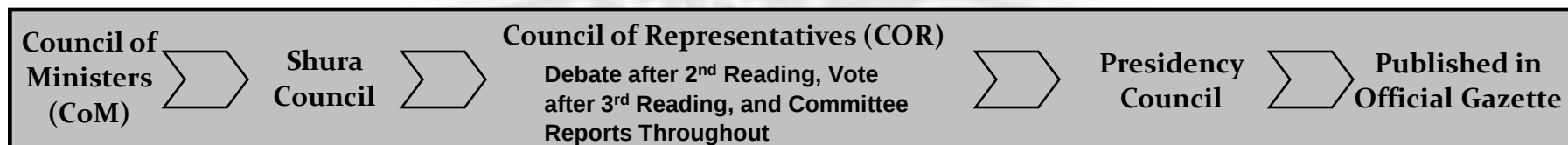
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.
- **National Elections Law:** A draft of a proposed national elections law is in committee but has not been finalized.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07, 32,457 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of June 2009, a total of 770 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of June 2009, a total of 2,081 SIVs have been issued for Iraqis employed by or on behalf of the U.S. government since FY08 (under the Section 1244 program).
- Secretary of State Hillary Clinton announced July 24 that the United States is contributing more than \$100 million in new assistance this year to support the return and reintegration of displaced Iraqis.

ECONOMIC – Oil



Oil prices are rising, but exports and production remain below 2009 targets

Crude Oil Update:

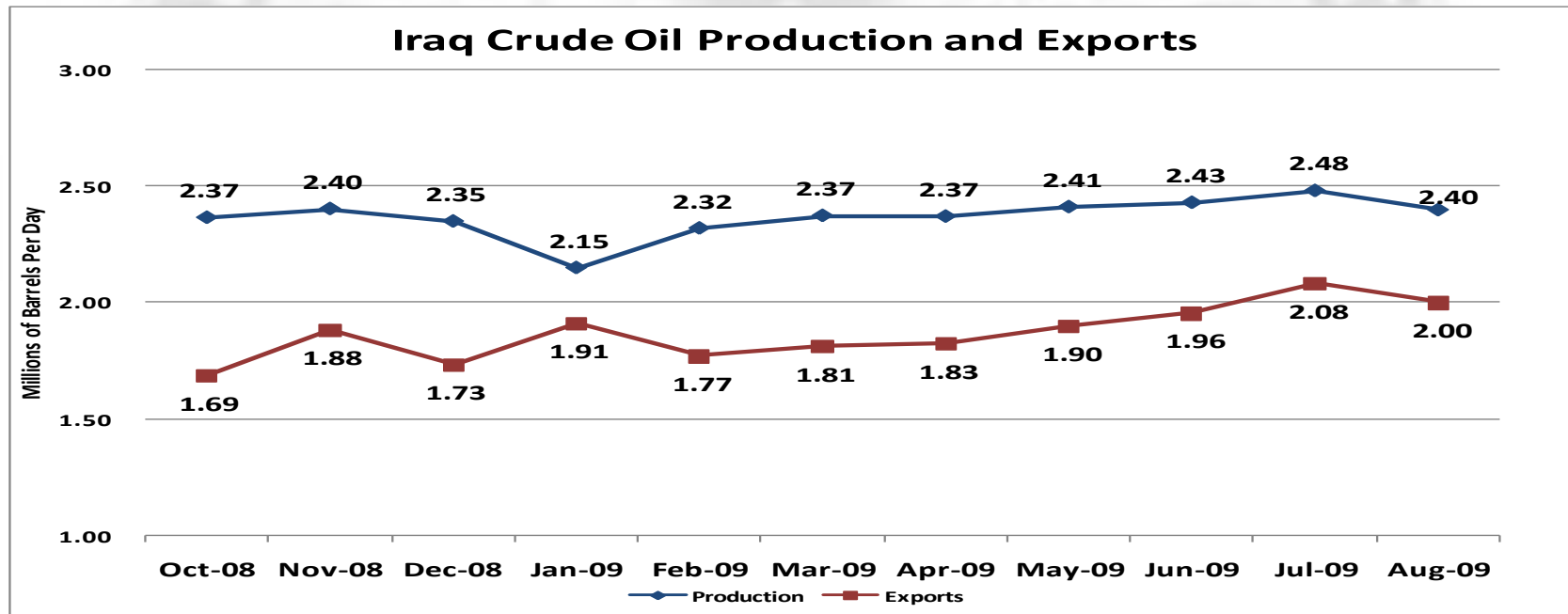
Price averages in world markets closed with the following prices:

Basrah Light at \$72.06/barrel

Dated Brent at \$71.93/barrel

WTI Cushing at \$72.41/barrel

Oman/Dubai at \$71.69/barrel



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$21.8 Billion*

*New revenue formula is used for 2009 that is more accurate, if lower.

ECONOMIC – Oil



The Government of Iraq wants to finalize contracts in the first and potentially second bid round before national elections

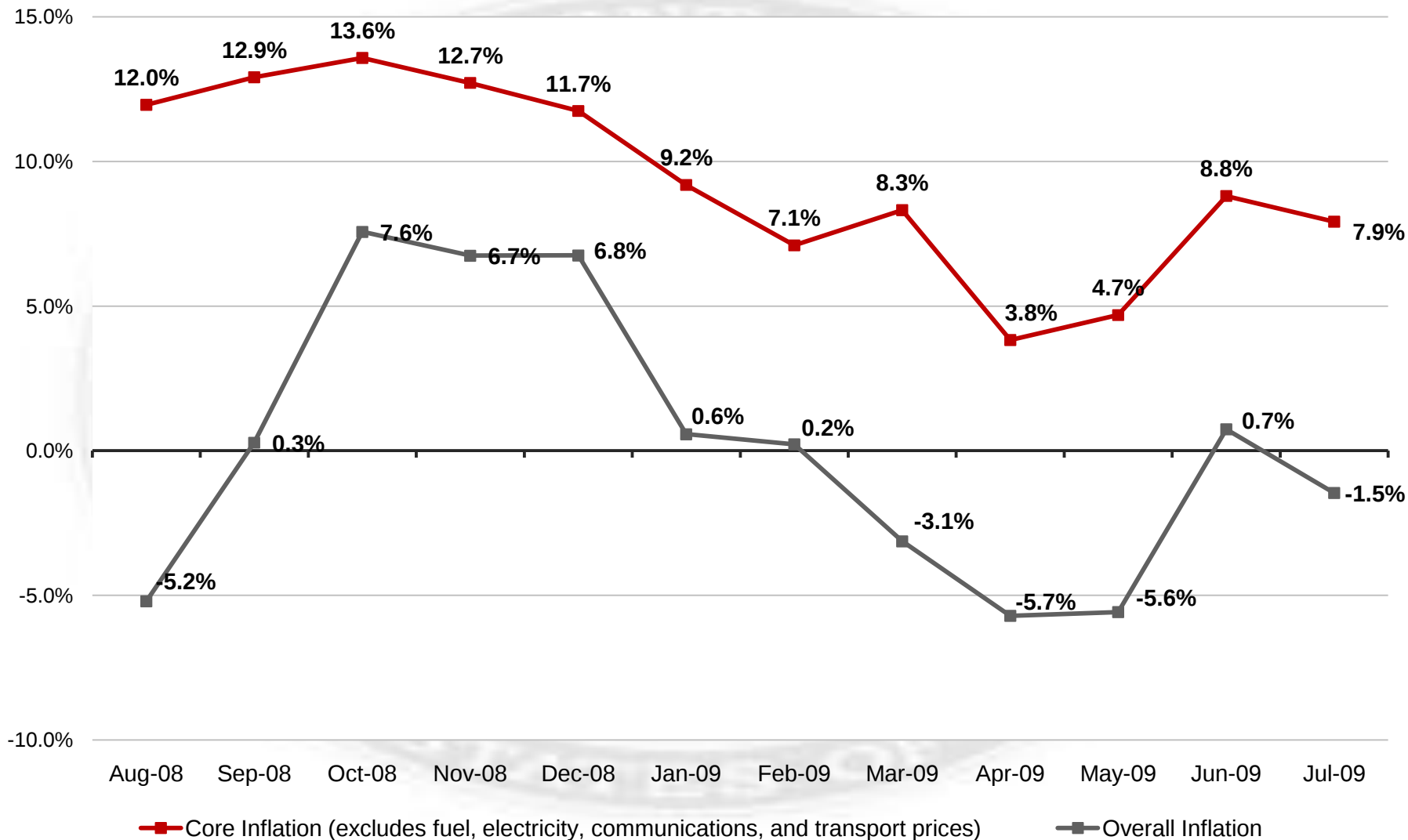
Second Bid Round to Be Held by Mid-December:

- Minister of Oil Husayn al-Shahristani said August 25 the second oil and gas bid round will be held by mid-December and contracts awarded will then be signed by early January 2010. He added that if contracts are not signed before the January 2010 national elections, the new cabinet will approve the deals. “The orders we receive from the government is to proceed as quickly as we can,” Shahristani said. “We don’t expect a new government to have a different policy to develop these fields.” The Minister also said he expects the BP/CNPC contract for the Rumaila oil field to be ready for cabinet approval soon.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



Sound economic policies will help ensure Iraq maintains security and stability

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$69.54	\$69.06	\$65.27	\$66.08
Yield	9.29%	9.35%	9.94%	10.96%



ECONOMIC – Private Sector

Economic diversification remains a challenge for Iraq as it continues to move toward integration into the global economy

Iraq Still Lacks Strategy for Economic Diversification:

- Despite government calls to invest in farming and industry to help Iraq diversify its economy, the head of Iraq's Ministry of Trade export development division, Husam al-Din, said Iraq still does not have a clear strategy which will allow for economic diversification. "There is kind of stillness in our industries," Din said. "We still lack a clear industrial and agricultural strategy. All we have is theories ... Five years have passed and we have nothing but theories." Acting Minister of Trade Safaeddine al-Safi said at Iraq's current stage in its reconstruction, the country is primarily an importing country and its traditional non-oil exports, such as dates and other agriculture, have been severely damaged by drought, underinvestment, and the effects of war and sanctions. While Iraq has begun its accession process into the World Trade Organization, it has only taken a few of the steps necessary to join. In order to gain membership, Iraq will have to cut support for its domestic industries, without which many of Iraq's industries would no longer be able to compete against cheaper imports.



ECONOMIC – Private Sector

Economic diversification remains a challenge for Iraq as it continues to move toward integration into the global economy

Etihad Crystal Cargo Begins Cargo Service to Baghdad:

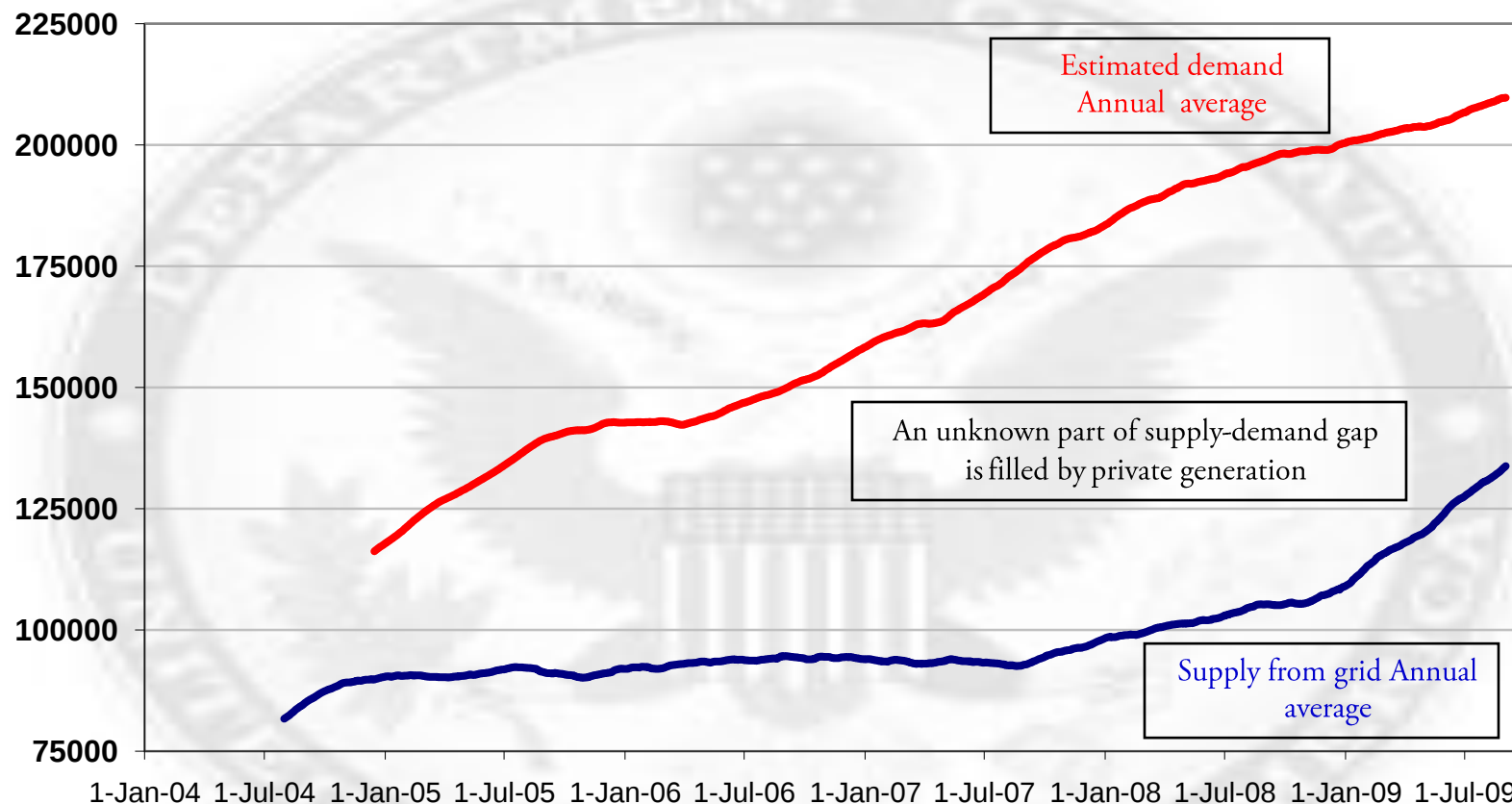
- Etihad Airways announced the launch of a twice weekly cargo service from Abu Dhabi to Baghdad on its cargo division, Etihad Crystal Cargo. The service, which began September 1, will operate every Tuesday and Thursday and A300-600 freighter planes will service the route. Baghdad will be Etihad's first cargo-only destination in the Middle East and the service is the first of its kind for Iraq. Etihad's executive vice president cargo Des Vertannes said, "We are very proud to launch Etihad's first services to Baghdad and assist in the country's reconstruction. Trade and business ties between the UAE and Iraq continue to grow and we look forward to building a strong customer base in the country, which is widely considered one of the region's fastest growing markets."

Public Services – Electricity



Electricity Supply from the Grid and Estimated Demand:(MWh)

GOI needs to strengthen policy actions to manage demand and usage patterns



- Electricity supply from the grid August 26-September 1 was 41% above 2008 and met 64% of estimated demand, compared with 47% for the year earlier period.
- Average daily supply for August was 153,800 MW, 1.4% below the record reached in June but 47% above August 2007, the last month before the beginning of a sustained increase in supply.

Beyond Baghdad



Ribbon cutting ceremony at
al-Albab school

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Ninewa

PRT Ninewa arranged for a contract that will deliver 20 seeder machines to ten agricultural associations in Ninewa province. The state of the art technology is pulled behind a tractor and is able to till, seed, and fertilize fields in one pass. The seeders require less fuel and waste less materials as seeds are planted with precision. Cost of the project covers equipment and training.

Wasit

Sixty-six students from Wasit's five biggest towns competed in the 2nd Annual Wasit Youth Summer Quiz Bowl. The competition was a PRT sponsored event in collaboration with the Ministries of Education and Youth and Sports. Participants ranged in age from 15 – 21 and came from both Sunni and Shi'a areas of the province. The event was designed to help reduce conflict and ease local tensions. Teams were co-ed, which also helped reinforce positive gender roles.

Diwaniyah

A ribbon cutting ceremony was held to celebrate the opening of the al-Albab school. This was just one of 54 schools being built as part of joint PRT-Military effort to replace mud hut schools, which have fallen into disrepair. Nearly 200 attendees, including students, faculty, and government officials, were addressed by PRT officials who were on hand to help the Iraqi Army distribute school supplies and sporting equipment.

DIPLOMATIC – Political Engagement



Turkish Foreign Minister sent to Iraq amid growing Iraqi-Syrian tensions

Iraq and Syria Recall Ambassadors; GOI Summons Syrian Representative:

- **Iraq's Ministry of Foreign Affairs summoned a senior Syrian representative in Baghdad August 26, amid growing tension between Baghdad and Damascus over the requested extradition of two suspected plotters of the August 19 attacks in Baghdad. Deputy Foreign Minister Labid Abbawi met Bassam Haj Hassan, a senior Syrian diplomat, to discuss Iraqi demands that Syria turn over two alleged Ba'athists suspected of masterminding the bombings which struck the Iraqi Foreign and Finance Ministry buildings and killed approximately 100 people last week. According to a statement released by the Ministry of Foreign Affairs, Abbawi explained the reasons for Iraq's demands and the measures to be taken by the Iraqi government following a preliminary investigation of the bombings. Hassan requested that the Iraqi government send a delegation to Damascus to present evidence to support the claims. The meeting occurred a day after the two countries announced they were recalling their respective ambassadors over the issue.**

DIPLOMATIC – Political Engagement



Turkish Foreign Minister sent to Iraq amid growing Iraqi-Syrian tensions

Turkish FM in Iraq to Diffuse Iraqi-Syrian Tensions:

- The Turkish government sent Foreign Minister Ahmet Davutoglu to Baghdad August 31 to calm tensions between Syria and Iraq over the August 19 bombings in Baghdad. Relations between Iraq and Syria deteriorated after the Iraqi government claimed that Syria was sheltering two individuals suspected of masterminding the bombings. FM Davutoglu held talks with Iraqi President Jalal Talabani, Prime Minister Nuri al-Maliki, and Foreign Minister Hoshyar Zebari before moving on to Damascus to meet President Bashar al-Assad and Foreign Minister Walid Muallem.

Iraq Seeks the Return of Fighter Jets in Serbia:

- The Iraqi Defense Ministry released a statement August 30 stating that Iraq is currently negotiating the return of 19 fighter jets that the Saddam Hussein regime sent to Serbia for servicing at the end of the Iran-Iraq war. According to the statement, the delegation had gone to Serbia to start the process and to “recover the money misspent by the former Iraqi regime.” The return of the MIG-21 and MIG-23 jet fighters would have been impossible for the former regime, due to international sanctions imposed on Iraq. “We discussed the matter with the Serbian side about the possibility of repairing these aircraft and returning them to service,” the ministry said. The statement added that a preliminary agreement had been reached with the Serbian government to repair and send back the remaining aircraft.

SECURITY – Situation Update



Iraq thwarts insurgency efforts

Iraqi Army Captures Improvised Rocket Launcher Cache:

- The 38th Iraqi Army Brigade and Iraqi Tactical Security Unit Police from Amarah captured a supplies cache used for making improvised rocket launchers in Maysan province August 31. A total of 16 complete rocket rails, over 1300 car jacks, and other components were captured in the operation. The Iraqi Army is currently investigating the evidence with assistance from U.S. Army Weapons Intelligence Specialists. “The loss of this particular cache will seriously hinder the criminals’ ability to disrupt peace in southern Iraq,” said Major Myles Caggins, 4th Brigade, 1st Armored Division spokesperson familiar with the operation. He added, “It was especially encouraging to see the number of local citizens come forward to tell the Iraqi Army about the cache location. Outlaws who smuggle lethal aid seek to undermine economic development in Maysan.”

SECURITY – Situation Transition



U.S. continues responsible withdrawal plans

MNC-I Announces Phase Two of Responsible Withdrawal Plan:

- **Multi-National Corps – Iraq recently announced its transition into phase two of the withdrawal plan which consists of redeploying approximately 80,000 U.S. troops of the current force of 130,000 by August 2010. This echoes a recent statement made by U.S. Army Chief of Staff, General George Casey that he expects the number of troops in Iraq to drop to 50,000 by this time next year. Brigadier General Heidi Brown, in charge of the withdrawal, directed MNC-I to reduce the number of bases from almost 200 to six Multi-Class Supply Support Activity Hubs and approximately 20 smaller bases called spokes by September 2010. Under the three-stage plan, the U.S. aims to complete the withdrawal of U.S. Forces from Iraq by December 2011.**



SECURITY – Situation Transition

U.S. continues responsible withdrawal plans

Number of Iraqi Detainees in U.S. Custody Drops Below 9,000:

- The number of Iraqi detainees in U.S. custody dropped to 8,974 after a 107 detainee transfer to the Government of Iraq (GOI), August 27. This is the lowest number in U.S. custody since March 2005. The Security Agreement mandates that Iraqi detainees must be released if they do not have arrest warrants or detention orders issued by GOI. Coalition Forces and the GOI review every detainee's file to determine if a warrant should be issued. Since January, 5,236 detainees have been released and 1,179 others have been transferred into GOI custody.

Iraqi Air Force Activates New Headquarters:

- U.S. Forces turned over authority of the new Iraqi Air Force Headquarters Complex to the Iraqi Air Force (IAF), August 23. The new headquarters complex, named "Hawk Base," will house more than 270 IAF personnel and is located near the new Al-Muthana Air Base at the Baghdad International Airport. Currently there are over 2,100 IAF members.

SECURITY – Situation Transition



U.S. continues responsible withdrawal plans

Iraqi Correctional Officers Strengthen Numbers:

- Approximately 560 Iraqi Correctional Officer cadets (ICO) began training at Forward Operating Base Future August 27. The class, the largest of its kind, is scheduled for completion in October and is the second to last iteration before U.S. Forces turn over the responsibility of training ICOs to the Government of Iraq. The ICOs will be responsible for guarding detention facilities across Iraq.



CONTACT INFORMATION

This brief draws from multiple sources. References are cited on the following pages.

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<http://2001-2009.state.gov/p/nea/rls/rpt/>
- Department of Defense, Section 9010 Measuring Stability and Security in Iraq
http://www.defenselink.mil/home/features/Iraq_Reports/index.html

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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